Thrust Method

Key buy patterns include:

1. Test of bottom – Prices near a previous low.

Example: Tata Steel (TATASTEEL)

Imagine Tata Steel was trading at **₹140** in early May 2025. Over the next few weeks, the stock **declined** to **₹125**, nearing a previous **support level** from March 2025.

Applying the Test of Bottom Pattern

- The stock price **approaches a prior low** (₹125), but does not break below it.
- Traders watch for **confirmation signals**, such as a **closing-price reversal** (where the stock closes higher the next day).
- If the price **bounces off the support level** and starts moving upward, it confirms the **Test of Bottom** pattern.
- A **thrust move** (strong price gain) the next day further validates the **buy signal**.

Why It's Important

- Helps traders **identify potential reversals**.
- Works well in **volatile stocks** like Tata Steel, Reliance, or HDFC Bank.
- Can be combined with **other technical indicators** for better accuracy.

2. Closing-price reversal – A new swing low followed by a higher close.

Example: Infosys (INFY)

Imagine Infosys was trading at **₹1,500** and then dropped to **₹1,470**, making a **new swing low**. However, by the end of the day, the stock **closed higher** at **₹1,480**, signaling a **closing-price reversal**.

Applying the Closing-Price Reversal Pattern

- The stock **makes a new low** (₹1,470), indicating weakness.
- Instead of continuing downward, it **closes higher** (₹1,480), showing buying interest.
- This suggests that **sellers lost momentum**, and buyers stepped in.
- If the next day sees a **thrust move** (strong price gain), it confirms the **buy signal**.

Why It's Important

- Helps traders **identify potential reversals** early.
- Works well in **volatile stocks** like Infosys, TCS, or Reliance.
- Can be combined with **other technical indicators** for better accuracy.

3. Narrow range – A small daily range compared to the swing's largest range.

What Is a Narrow Range Day?

In technical analysis, the "day's range" is simply the difference between the highest and lowest prices of that day. Now, if during a swing (a period of price movement) the largest range observed is, say, 20 points, a **narrow range day** is when the day's range is **less than half** of that maximum swing range—that is, less than 10 points in our example. This narrowing indicates that the price is consolidating—trading within a tighter band—which can be a precursor to a breakout.

Example Using an Indian Stock: State Bank of India (SBI)

Imagine over a certain swing for SBI the largest price movement was as follows:

- **Swing High:** ₹410
- **Swing Low:** ₹390
- **Largest Swing Range:** ₹410 − ₹390 = **20 points**

Now, on a particular day during this swing, suppose SBI trades between:

- **High:** ₹400
- **Low:** ₹392
- **Day's Range:** ₹400 − ₹392 = **8 points**

Since 8 is less than half of 20 (i.e. less than 10), this day qualifies as a **narrow range day**. Traders watch for such days because the tight trading range might suggest that the stock is "gathering energy" before a breakout. For example, if the next day sees a strong upward move (a "thrust"), it confirms bullish sentiment and may provide a good buy signal.

Visual Explanation with a Line Graph

The following diagram illustrates the concept:

- The **blue line** represents a typical swing day, where the price peaks at ₹410 and drops to ₹390—showing a 20-point wide movement.
- The **red line** represents a narrow range day where the price only moves from ₹392 to ₹400—an 8-point width, which is less than half of the swing range.

Below is a generated line graph to help clarify the idea:

(Note: The diagram above is representative. In an actual setup, each point on the graph would correspond to intraday price levels with the

X-axis representing time within the day and the Y-axis showing the price in rupees.)

In our example:

- **Day with Largest Swing:**
  - High = ₹410, Low = ₹390 (Range = 20)
- **Narrow Range Day:**
  - High = ₹400, Low = ₹392 (Range = 8, which is less than half of 20)

This narrow range day (8 points) signals consolidation. Traders expect that the lower volatility might be followed by a significant price thrust either upward or downward, which then would trigger a trade.

4. Inside range – Prices contained within the prior day's range.

What Is an Inside Range?

An **Inside Range** occurs when the **high and low of the current day** are **completely within** the high and low of the **previous day**. This means the price movement is **contained** within the prior day's range, indicating **market indecision or consolidation**.

Example Using an Indian Stock: Infosys (INFY)

Imagine Infosys was trading at **₹1,500** on **Day 1**, with:

- **High:** ₹1,520
- **Low:** ₹1,480

On **Day 2**, the stock moves within a **smaller range**, such as:

- **High:** ₹1,510
- **Low:** ₹1,485

Since both the **high and low** of **Day 2** are **within** the range of **Day 1**, this qualifies as an **Inside Range** day.

Why Is This Important?

- **Signals consolidation** – The stock is taking a pause before a potential breakout.
- **Indicates indecision** – Neither buyers nor sellers are dominating.
- **Potential breakout** – If the next day sees a strong price move beyond the inside range, it confirms a trend direction.

Visual Representation

To make this clearer, here's a **line graph** illustrating the Inside Range pattern:

In this graph:

- **Day 1** has a wider price range.
- **Day 2** is contained within Day 1's range, forming an Inside Range.
- The next day's movement determines whether the stock **breaks out** or **continues consolidating**.

5. **Penetration of the top** – A breakout.

Top Penetration – A Breakout Move Explained

A **top penetration** occurs when a stock **breaks above** a previous resistance level, signaling a **strong upward move**. This breakout suggests that buyers have gained control, pushing the price higher.

Example Using an Indian Stock: Mazagon Dock Shipbuilders (MAZDOCK)

Mazagon Dock Shipbuilders recently experienced a **breakout move**:

- **Previous Resistance:** ₹3,737
- **Breakout Price:** ₹3,663
- **Current Price Surge:** The stock moved past its resistance, confirming a **top penetration breakout**

Why This Matters

- **Signals strong bullish momentum** – Buyers are pushing the price higher.
- **Can lead to further gains** – If volume supports the breakout, the stock may continue rising.
- **Traders look for confirmation** – A sustained move above resistance validates the breakout.

Repeat Signals and Double Thrusts

Repeat Signals

Repeat buy signals use **relaxed rules** since the **trend is already identified**, eliminating the need for a new thrust confirmation. Two key conditions for a repeat buy signal:

1. **Test of the Bottom** followed by an **Inside Range** → This suggests **market indecision** but confirms a trend continuation.

   This buy signal occurs when a stock **tests a previous low** (suggesting support) and then experiences an **inside range day**, indicating **market indecision** before a potential **trend continuation**.

   Example Using an Indian Stock: Tata Steel (TATASTEEL)

Imagine Tata Steel was in a **downtrend**, and its previous **swing low** was **₹125**.

Step 1: Test of the Bottom

- The stock price **falls to ₹126**, coming close to the previous low of ₹125.
- This suggests that **buyers may step in** at this level, preventing further decline.

Step 2: Inside Range Formation

- The next day, Tata Steel trades **within the previous day's range** (e.g., High = ₹130, Low = ₹127).
- Since both the **high and low** are **inside** the prior day's range, this signals **market indecision**.

Step 3: Trend Continuation Confirmation

- If the stock **breaks out above ₹130** the following day, it confirms a **trend continuation**.
- Traders may enter a **buy position**, expecting further upside.

2. **Closing-Price Reversal** followed by an **Inside Range** → Signifies a **strong reversal** backed by consolidation.

This buy signal occurs when a stock **makes a new swing low**, followed by a **higher close**, and then experiences an **inside range day**, indicating **market indecision** before a potential **trend continuation**.

Example Using an Indian Stock: Infosys (INFY)

Imagine Infosys was in a **downtrend**, and its previous **swing low** was **₹1,470**.

Step 1: Closing-Price Reversal

- The stock price **drops to ₹1,470**, making a **new swing low**.

- However, by the end of the day, it **closes higher** at **₹1,480**, signaling a **reversal**.

Step 2: Inside Range Formation

- The next day, Infosys trades **within the previous day's range** (e.g., High = ₹1,485, Low = ₹1,475).
- Since both the **high and low** are **inside** the prior day's range, this signals **market indecision**.

Step 3: Trend Continuation Confirmation

- If the stock **breaks out above ₹1,485** the following day, it confirms a **trend continuation**.
- Traders may enter a **buy position**, expecting further upside.

Double Thrust

A **double thrust** occurs when:

- The **first thrust** is **immediately followed** by a **second thrust**, strengthening the trend.
- The **first thrust leads to a congestion area**, and then a second thrust **breaks out** in the same direction.
- Dunnigan originally used **fixed price points** to define a thrust, but modern traders prefer using **standard deviation or average true range (ATR)** as volatility-based measurements for better accuracy.

Double Thrust Method Explained

The **Double Thrust** method is a trading strategy where a **first thrust** move is followed by a **second thrust** in the same direction. This

pattern suggests **strong momentum** and confirms a **trend continuation**.

How It Works

1. **First Thrust:** The stock makes a **strong move** in one direction (up or down).
2. **Congestion Phase:** The price consolidates or moves sideways.
3. **Second Thrust:** The stock makes another **strong move** in the same direction, confirming the trend.

Example Using an Indian Stock: Reliance Industries (RELIANCE)

- **First Thrust:** Reliance Industries surged from **₹2,500 to ₹2,650** in a strong bullish move.
- **Congestion Phase:** The stock consolidated between **₹2,640 and ₹2,670** for a few days.
- **Second Thrust:** Reliance broke out above **₹2,670**, confirming the **uptrend continuation**.

Why It’s Important

- Confirms **trend strength**.
- Helps traders **avoid false breakouts**.
- Can be used with **volatility indicators** like **ATR** for better accuracy.